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Retail Foods

Retail industry continued its planned expansion in Costa Rica

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Report Highlights:

In 2017, the retail industry continued its planned expansion with major retailers increasing their presence in the small store segment, targeting customers who shop in convenience and small stores. Retailers are eager to introduce new products to meet the growing consumer demands of middle to upper income consumers. Many promising export opportunities exist for high-value consumer products. Best prospects for U.S. exports to Costa Rica in 2018 include beef (meat), poultry, pork (chilled/fresh),

dairy products, food ingredients, frozen meals, beer/craft beer and spirits, snack foods, pet foods and natural/organic food.

Post:

San Jose

Executive Summary:

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SECTION I. MARKET SUMMARY

A. Structure and Overall Value

The Costa Rican market of 4.8 million people is dynamic, evolving and uniquely challenging for the U.S. exporter. Known for its beach and mountain resorts, the country adds more than 3 million tourists and thousands of affluent retirees to its base of retail food consumers every year. Given the country's small population, future growth depends upon foreign direct investment (FDI) and access to international markets.

Costa Rica economic growth depends upon foreign investment and access to international markets. Total foreign direct investment in Costa Rica amounted to \$3.4 billion in 2016 with the United States accounting for half. The Central Bank reported 5.8 percent GDP growth in 2016 and is forecasting 4.2 percent growth for 2017.

The retail sector is one of the most versatile in the Costa Rican economy. During the recent economic crisis, consumption in independent grocery stores and small suppliers increased because people preferred to buy small quantities, while in times of recovery and economic boom revenues from large chains increase.

In 2016, local consumer's daily visits to supermarkets decreased from 24 percent to 14 percent and weekly visits from 26 percent to 21 percent. This behavior means that consumers are planning and organizing more their big local purchases. Also, the opening of small convenience stores also provides consumers an alternate option to visit small markets during the week near avoiding traffic. Traffic has become an important constant in the last year.

Costa Ricans spend about 40 percent of their income on food products. The local food industry (comprised of about 20 percent large companies and 80 percent small and medium-sized enterprises) has been steadily growing and incorporating technological advances to offer a wide variety of products for local consumption: fresh and processed tropical fruits and vegetables, bakery products (bread/cookies), pasta, sauces, snacks, juices, and of course, dairy products, red meat, poultry and fish/seafood.

In 2016, total imports of U.S. consumer oriented products reached a record \$274.2 million, representing the highest agricultural export category for U.S. agricultural products to Costa Rica. Imports from neighboring countries (Mexico, Guatemala, Panama, and Nicaragua) include a large variety of products such as fresh fruit and vegetables, liquor, cereals and beans. Other major suppliers that seek to increase their exports to Costa Rica include Canada, Chile and most recently, China.

Several large wholesalers and importers distribute products to the three food retail subsectors. Supermarkets and convenience stores extensively use in-house procurement departments. Distribution channels are similar for all products, although some (fresh fruit, vegetables) require special handling.

Costa Rican food executives encourage U.S. food manufacturers and suppliers to:

- Promote private label brands/products,
- Promote novelty food and beverage items (spawned by tourist and pensioners),
- Become more aggressive (in all sectors: especially canned and fresh fruits and vegetables, processed foods, etc.),
- Demonstrate greater interest in 'tropicalizing' products for the Costa Rican market (tropicalizing refers to characteristics/concepts such as: packaging in smaller volumes & appropriate for the heat of the tropics; incorporating popular local flavors, i.e. fruit, etc.),
- Demonstrate greater interest in providing environmentally friendly packaging, and
- Demonstrate greater interest in Central America's smaller, but viable markets.

Costa Ricans total income is not evenly distributed, the majority of Costa Ricans enjoy an upper-middle class income. Private consumption spending is projected to continue to grow, with more household

spending devoted to the purchasing of goods and services, and among those, high-value food products.

The retail sector is rapidly expanding; supermarket and hypermarket chains are expanding into multiple markets in the region. Major retailers offer a wider variety of products with competitive pricing, and convenience stores are still quite popular. Importers may also be wholesalers and have national distribution. During 2016, 108 new convenience stores opened doors in Costa Rica. The growth of this segment of supermarkets/hypermarkets and convenience stores, expanded outlet volume across the country. Since 2012, there has been a shift in shopping habits, with consumers increasingly purchasing small quantities as needed from independent small grocers rather than making a large weekly shop at supermarkets/hypermarkets. Consumers sought to economize by keeping purchases of packaged food to a minimum. As a consequence, independent small grocers gained value share in overall sales of packaged food.

Consumers have become increasingly willing to pay more for greater convenience, which will drive sales growth across packaged food. Products that offer a high degree of convenience are expected to perform particularly well. Supermarkets are constantly fighting for loyal consumers. A local newspaper survey projected that the trend in local retail consumers is looking for promotions and special discounts. Consumer habits are changing and they are open to experiment new options. The survey also shows that 36 percent of Costa Ricans like to try new stores.

Table 1. Costa Rican Consumer habits study

| | Gender | Age | Social class | Purchase |
|--|--|-------------|-----------------------------------|---|
| Customers searching for offers and promotions | The majority are men | 25-39 years | middle socioeconomic class | <ol style="list-style-type: none"> 1. Impulsive 2. Buy only when there are offers and promotions 3. Try new stores |
| Informed customer | The majority are women | 40-65 years | middle socioeconomic class | <ol style="list-style-type: none"> 1. They believe that all retailers sell the same merchandise so they compare to find the best option 2. They do not like to try something new 3. Compare even if there are no offers and promotions |
| Demanding customer | Equally divided between men and women | 40-65 years | middle socioeconomic class | <ol style="list-style-type: none"> 1. They can pay more for better quality 2. They visit the same stores and buy the same brands 3. Few believe that all stores offer the same merchandise. |
| Loyal customer | The majority | 25-65 | middle | <ol style="list-style-type: none"> 1. They prefer the same |

| | | | | |
|--|------------------|-------|---------------------|--|
| | are women | years | socioeconomic class | stores and brands 2. Few are impulsive 3. Not looking to pay more for better quality |
|--|------------------|-------|---------------------|--|

B. International Competition and Imports

Total Imports into Costa Rica and Main Competitors 2016

| <u>Product Category</u> | <u>Main</u> | <u>Competitors</u> |
|-------------------------|-------------|--------------------|
|-------------------------|-------------|--------------------|

Beverages (not alcohol)

| | | | |
|-------------------------------------|---|---------------|------|
| HS Code: 2201-2202 & 1302 | 1 | United States | 30 % |
| Total Net Imports 2016: 85,363 tons | 2 | Guatemala | 17 % |
| | 3 | El Salvador | 8 % |

| <u>Product Category</u> | <u>Main</u> | <u>Competitors</u> |
|-------------------------|-------------|--------------------|
|-------------------------|-------------|--------------------|

Dairy Products

| | | | |
|-------------------------------------|---|---------------|------|
| HS Code: 0401:0406 | 1 | United States | 31 % |
| Total Net Imports 2016: 21,858 tons | 2 | Panama | 19 % |
| | 3 | Chile | 13 % |

Wines & Spirits

| | | | |
|--------------------------------|---|-----------|------|
| HS Code: 2404:2406 | 1 | Chile | 36 % |
| Net Imports 2016 : 27,358 tons | 2 | Argentina | 14 % |
| | 3 | Spain | 15 % |

Nuts

| | | | |
|------------------------------|---|---------------|------|
| HS Code: 0801-0802 | 1 | United States | 53 % |
| Net Imports 2016: 2,022 tons | 2 | Guatemala | 12 % |
| | 3 | Vietnam | 8 % |

Meat fresh or chilled

| | | | |
|-------------------------------|---|---------------|------|
| HS Code: 0201:0204 | 1 | United States | 47 % |
| Net Imports 2016: 34,372 tons | 2 | Nicaragua | 29 % |
| | 3 | Chile | 21 % |

Snack Foods & Chocolate products

HS Code: 1704; 1904:1905; & 1806

| | | | |
|-------------------------------|---|---------------|------|
| Net Imports 2016: 62,294 tons | 1 | United States | 28 % |
| | 2 | Mexico | 17 % |
| | 3 | El Salvador | 6% |

Source: Treasury Ministry of Costa Rica - Customs Department.

C. Advantages and challenges for U.S. exporters

| Advantages | Challenges |
|--|---|
| Of the 4.8 million Costa Ricans, a large percentage of the urban Costa Rican population has a high disposable income. | High level of bureaucracy and regulatory weaknesses negatively affect importers and U.S. exporters. |
| Costa Rican consumers trust in the quality of U.S. food products and follow U.S. market trends. | Lack of knowledge of U.S. brands by importers and retailers. |
| The growing retail industry is interested in carrying more U.S. products, including private label goods. | Lack of importer and retailer knowledge and training in purchasing, handling, and merchandising U.S. products. |
| Costa Rican importers, distributors and retailers generally like trading with U.S. exporters because of the reliability and quality of service. | Free trade agreements with China and EU may increase competition. |
| Strong tourism sector (residential and traditional) provides opportunity for the food retail sector. More high-end grocery stores in tourist areas outside San Jose metropolitan area. | Registration of consumer-ready products process is slow and inefficient. |
| Economic climate in Costa Rica is improving and the Costa Rican population is beginning to consume higher quantities of frozen and prepared foods. | Some major retailers and importers have their own cattle farms, meat processing plants, bread processing facilities, etc. reducing the need for some imports. |

SECTION II. ROAD MAP FOR MARKET ENTRY

A. Entry Strategy

U.S. products possess an outstanding reputation for quality and price-competitiveness. The lower tariffs on most processed food products as a result of the Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) has resulted in higher imports of these products from the United States for the last eight years. Imports of these products are expected to continue growing in the near term.

- Supermarket chains are best situated to be the main market for imported food products whose target

customers are high and middle-income consumers. U.S. exporters should contact large importers, wholesalers/distributors or supermarkets directly.

- U.S. exporters can approach gas marts, grocery and convenience stores through major local suppliers (wholesalers/distributors).
- Exporters should be diligent when selecting a partner (an agent or a representative) in Costa Rica. Personal visits/meetings are highly recommended and should conduct a background check of the prospective partner before signing permanent contractual arrangement.
- The local partner should be able to provide updated information on consumer trends to identify niche markets, current market development (merchandising, point of sale and promotion activities), and business practices.

B. Market Structure

Walking into most new supermarkets in Costa Rica is similar to walking into a newer U.S. grocery store.

Costa Ricans usually make their major grocery store purchases every two weeks. Going to the large, new, brightly lit stores with aisles upon aisles of food selection and options from all over the world has turned into an experience that can occupy hours of a family's time. Supermarket purchases are supplemented with smaller purchases at the traditional neighborhood store called pulperia or at 'mini-supers.' (See section on Traditional Markets).

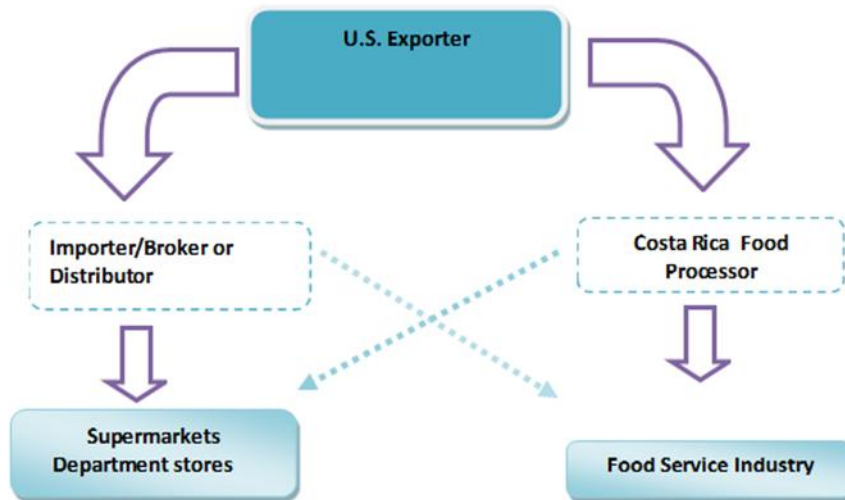
As the five mega-retailers try to win new customers, some of these stores compete not only on price and selection but also on providing numerous additional services under the same roof. A partial list of services or kiosks found in a supermarket's compound includes:

| | | |
|--------------------|--------------------|--|
| Bakery | Banking services | Bill payment services: utilities, credit cards, etc. |
| Cafeteria services | Carry out services | Coffee bars |
| Breweries | Deli Services | Dry cleanings |
| Fashion Boutiques | Jewelry | Office services |
| Pharmacies | Electronic Stores | Organic stores |

Most large supermarkets also offer a combination of 'loyalty points,' their own credit cards, and a number of other amenities to further entice and win-over customers.

The trend of buying online in the country is increasing. In Latin America, 8 of every 10 consumers seek information about products and services on the Internet before buying. Several supermarkets, for example, offer the option to order online and have the products delivered. However, many people are unfamiliar with the technology and, fear to buy online due to the possibility of fraud.

B. Channels of distribution in Costa Rica for major Supermarkets and Wholesale



- Suppliers to major supermarkets have a wide range of distribution channels ranging from those for fancy foods to those for foods for mass consumption.
- Major food importers/distributors supply all major supermarket chains and provincial retailers.
- Distributors and wholesalers constantly sponsor in-store promotional activities. They have the support of personnel in every store and all distribution channels.

Gaining prominence in recent years, supermarkets have reported sales growth of about 20 percent in the last two years in Costa Rica and this rate is expected to continue as supermarket chains routinely open new stores. While the majority of supermarkets are located in urban areas, they are gaining ground in rural settings as well. As retail supermarkets expand their reach and consumer base, they present an excellent opportunity for increased exports of agricultural products and processed foods; more than 50 percent of the groceries in these outlets are estimated to be imported, with 32 percent of these imports from the United States. The five major supermarket retailers are : Wal-Mart (United States), Gessa (Costa Rica), AutoMercado (Costa Rica), Price Smart (United States), and Megasuper (Colombia). In November 2015 a new chains of supermarkets from Honduras "La Antorcha" opened one store at the new City Mall located in Alajuela.

The Business Group Supermercados (Gessa) plans to increase its brand with a better marketing image in its Saretto, Perimercados and Super Compro stores. It will invest approximately \$8 million.

AMPM, Fresh Market and Vidi stores, similar to 7-Eleven convenience stores, are increasing their presence. Costa Ricans are increasingly warming up to these stores, which are slowly displacing the traditional pulperias that can still, be found in working-class suburban neighborhoods and rural communities.

There are more than 20,000 pulperias and mini-marts in Costa Rica, but many are being displaced by the growth of supermarkets (particularly by Pali and Mas x Menos, owned by Wal-Mart) and the new convenience stores. Older Costa Ricans still remember the joys of being sent to the pulperia on an errand by their parents and walking out with free candy courtesy of the shopkeeper. The pulperias were

often lifesavers for families who lived paycheck to paycheck since they could always trust on the shopkeeper to sell them groceries on credit.

1. Company Profiles

| <i>Retailer Name and Outlet Type</i> | <i>Ownership</i> | <i>Sales (\$Mil)/Year</i> | <i>No. of Outlets</i> | <i>Locations</i> | <i>Purchasing Agent Type</i> |
|---|-------------------------|----------------------------------|------------------------------|---|---|
| <i>Walmart (including all formats)</i> | <i>U.S.</i> | <i>Not available</i> | <i>222</i> | <i>Nationwide</i> <i>Pali (Whse discount) = 151 Urban/Rural</i> <i>Max X Menos (Supermarket) = 32 Urban/Rural</i> <i>Maxi Pali (Whse./discount) = 31 Urban/Rural</i> <i>Walmart Supercenter = 8 Urban</i> | <i>Direct Importers</i> |
| <i>Grupo Empesarial de Supermercados S.A. (GESSA) (including all formats)</i> | <i>Local</i> | <i>Not available</i> | <i>61</i> | <i>Nationwide</i> <i>50% urban</i> <i>50%rural</i> <i>Five profiles of stores:</i> <i>Peri (Supermarket) = 28</i> <i>Super Compro (Whse. Discount) = 29</i> <i>Turribásicos (Supermarket) = 3</i> <i>-</i> <i>Saretto Supermarket = 1</i> <i>Peridomicilio</i> | <i>Direct Importers (3%) Wholesalers/Distributors (97%)</i> |

| | | | | | |
|--|-----------------------|--------------------------|-----------|---|---|
| <i>AutoMercado (including all formats)</i> | <i>Local</i> | <i>Not Available</i> | <i>35</i> | <i>Metropolitan Area, South Pacific Coast 90% Urban 10% Rural/Beach Area Guanacaste -Auto Mercado (Supermarket) = 21 -Vindi (Supermarket) = 14</i> | <i>No brokers used. Uses U.S. consolidators. Wholesalers, distributors Direct purchases. 3300 employees</i> |
| <i>PriceSmart</i> | <i>U.S.</i> | <i>Not Available</i> | <i>7</i> | <i>San José, Alajuela, Heredia 100% Urban</i> | <i>Through U.S. headquarters-60% Regionally (Panama) & local-40%</i> |
| <i>Megasúper</i> | <i>Colombia n</i> | <i>Not Available</i> | <i>72</i> | <i>Nationwide 60%Urban 40%Rural</i> | <i>Direct Importers</i> |
| <i>La Antorcha</i> | <i>Honduras</i> | <i>Not Available</i> | <i>1</i> | <i>Alajuela 100%Urban</i> | <i>Direct Importers 220 direct employees and 300 indirect employees</i> |

2. SuperMarkets

Auto Mercado has seen solid growth across a broad range of products: This chain provides a lot of customized American products that are not available in other grocery stores. Auto Mercado is an upscale supermarket chain, which offers regular products but also has a wide selection of wines, deli, and fine cuts of meat. You can find Auto Mercado stores in San José downtown, some of the shopping malls (Multiplaza Escazu & Plaza Mayor in Rohrmoser) and out of San Jose also in Puntarenas Playa Herradura near Jaco and in Guanacaste, Tamarindo. Automercado has inaugurated in 2016 a new point of sale in Guadalupe, San José, and next year it plans to build another in Curridabat, in the east of the capital. As of today, Automercado has 35 total supermarkets in the country.

Walmart: This company owns more than 80 percent of supermarkets in Costa Rica, making U.S. brands available at lower prices. Maxibodega, Hipermas, Pali, and Mas x Menos are all owned by global

retailer Wal-Mart. According to industry sources, Walmart is the chain with the largest number of shops (222 in its different brands) and therefore is able to negotiate profit margins, discounts and volume with its suppliers.

GESSA: GESSA convenience stores handle between 12,000 and 15,000 stock keeping units with imported products comprising approximately 60 percent of the total. Approximately 30 percent of the imports are U.S. products. GESSA's imports department, Montelimar Distribuidor, is dedicated to promoting trade relations with international suppliers who are interested in developing business in Costa Rica. Gessa is the owner of the Jumbo, Peri, Supercompro, Saretto, Turribásicos y Día Express and is evaluating the possibility of linking with a strategic partner in the region to help them grow.

PriceSmart: PriceSmart arrived in the country in 1999 and now has a strong presence in the region. As of now, it's the only store that works with the membership-warehouse-club format in the country. Over the years, it has grown and this chain today has seven stores in Costa Rica (Zapote, Santa Ana, Escazú, Heredia, Cartago, Tibás and Alajuela).

Mega Super: Mega Super continues to announce the opening of new stores, expanding existing shops and eventually acquiring another operation, in Costa Rica. This format represents 35 percent of the total sales of the corporation. In addition, the Group acquired the supermarket Saretto, located in Escazú and known for its gourmet format.

La Antorcha: The first store, inaugurated at the end of 2015, has 2,300 square meters and offers over 24,000 food products and goods. The expansion strategy includes opening eight-store in the course of the next three years. For 2016, the firm open four stores.

3. Convenience Stores, Gas marts and Kiosks

Convenience stores and “mini-supers” (also known locally as “pulperías”) - are small local stores offering a limited selection of basic goods, commonly frequented by Costa Ricans, to supplement weekly purchases.

Company Profiles

| Retailer Name and Outlet Type | Ownership | Sales (\$Mil)/Year | No. of Outlets | Locations | Purchasing Agent Type |
|----------------------------------|-------------|--------------------|-----------------------------------|-------------------|---|
| Inversiones AM PM & Fresh Market | Costa Rican | Not available | 78 AM/PM Convenience stores. Goes | Metropolitan Area | Direct purchase and wholesalers constitute 75 |

| | | | | | |
|---------------------|-------------|---------------|--|-------------------|---------------------------------|
| | | | from 6AM to 12 midnight. Fresh Market –Upscale convenience store and food boutique = 14 | | per cent of their purchases. |
| Vindi (Automercado) | Costa Rican | Not available | 14 | Metropolitan Area | Direct purchase and Wholesalers |

Inversiones AM/PM and Vindis sell approximately 2,500 products (mostly food-related) from some 600 brands in stores that are 150 to 350 square meters. Approximately 25 percent of these products' are imported. AM/PM's and Vindis prepared food sector experienced an astounding 400 percent growth, in the last two years. Growth in prepared foods is attributed, in part, to San Jose's traffic congestion requiring people to leave home early, without breakfast, and eat lunch at locations close to work instead of returning home for lunch. Gallo pinto (rice and beans), the nation's national dish, is now sold at convenience stores and consumed from plastic containers at work.

4. Traditional markets, small independent grocery stores

Traditional markets, of which there are estimated to be around 15,000 in the country, remain popular in Costa Rica as well.

a. Sub-Sector Profile

Estimates are that there are over 20,000 traditional grocery stores in Costa Rica. The concept of the traditional grocery store, or "pulperia" (also called bodega, or tienda de alta frecuencia in other countries) is popular in Costa Rica and throughout Latin America.

These grocery stores which can be the size of a large closet or as large as 5,000 square feet (called mini-supers), are, still today, the backbone of Latin America's food retail industry. It can be said that tastes are first cultivated in this very traditional, neighborhood store.

Depending on its size, a 'pulperia' can stock from 300 to over 1000 items. Despite its limited variety (by U.S. standards), some customers are known to visit their favorite neighborhood 'pulperia', as often as four times a day. And while middle class Costa Ricans enjoy their biweekly visit to a large supermarket, many supplement their large purchases with visits to these popular traditional markets which pepper most urban and rural neighborhoods.

There are three key distinguishing features of the Costa Rican, and Latin American pulperia:

- food items are sold in small packages, or the smallest unit packaged by manufacturers (i.e. small

envelopes found in box with 10 small envelopes);

- food items are in limited quantity; and,
- an easy line-of-credit (no application, no credit cards required) to loyal clients is readily available.

Immigrants living in Costa Rica for dozens of years report having never shopped in a nontraditional store, preferring to use the 'pulperia' for all grocery purchases.

Rural 'pulperias' and mini-supers also fill an important niche providing rural residents, tourists and pensioners in remote beach and mountain resorts with all the basic conveniences not presently filled by gas marts, convenience stores or large supermarkets.

A new, expanded version of the 'pulperia', called 'mini-supers' has arrived and fills a position in between the large retail supermarket, the convenience stores and the 'pulperia.' These mini-supers carry thousands of products and are a combination of a 'dollar store' and a 'pulperia' containing a large variety of non-food items.

Traditional markets can be used as an entry strategy and learning laboratory for U.S. exporters. U.S. exporters often think only in large sales and larger volumes. However, many U.S. food manufacturers are already packaging, for their U.S. consumers, food items which could have instant and ready appeal to Costa Rica's 20,000 'pulperias' as well as the millions of 'stores of frequent use' (tiendas de alta frecuencia) that dominate Latin America's food retail sector.

Supermarkets have a wide range of quality and products. Pali is Costa Rica's cheapest supermarket, similar to Aldi in the United States. Pali continues to expand throughout the country and is the preferred supermarket for purchasing basics such as rice, beans and local canned items. Perimercado also offers economical choices for consumers, but not much variety or quality. Mas X Menos is Costa Rica's oldest supermarket and is known for its in-house butcher, good quality produce, wine and liquor. Mega Super stores are generally found in rural areas and are similar to Perimercado. Automercado is a high-end supermarket. Although it is the most expensive, it also provides the best selection of domestic and imported goods. There are other supermarket chains that belong to established cooperatives and most of them are located in rural areas.

SECTION III. COMPETITION

The United States is Costa Rica's main trading partner and Costa Rican consumers are receptive to imported U.S. products. Other major suppliers that compete with the United States are China, Mexico, Venezuela, Central America and Germany. Locally produced products that present competition to U.S. exporters include: meats (processed), dairy products, coffee, spices and condiments (sauces), vegetable oils, candies and chocolates, pasta, snacks, bakery and pastry products, soups (powder), beverages (beer, bottled water, fruit juices), and, of course, tropical vegetables and fruits. However, consumers are learning to introduce new products in their basic consumption so it is important for competitors to observe how the environment changes and use marketing strategies to introduce new imported products in the retail sector.

Some U.S. exports are being negatively affected by exports from other countries at lower duties, mainly from Chile, with expected future competition from the European Union due to the recent signing of the EU-Central American Free Trade Agreement. Mexico, Chile and Guatemala are the main competitors

of the United States in the Costa Rican fresh fruit, wines and vegetable market.

The United States and Chile are exporting similar products to Costa Rica, but during different seasons. Imports from Chile take place from January to July. During the rest of the year, imports come mostly from the United States, except for those fruits available year-round. Costa Rica imports fresh fruits year-round, but about 70 percent of total domestic consumption of non-tropical fruits occurs during the Christmas season (October through December). Canada also poses slight competition in the fruit and potato sector because of its 2002 FTA with Costa Rica.

SECTION IV. BEST PRODUCT PROSPECTS

Many promising export opportunities exist for high-value consumer products from the U.S. to Costa Rica. The signing of CAFTA-DR in 2009 cleared the way for U.S. exports to enter Costa Rica, and since then U.S. exports have grown robustly. The economic outlook in Costa Rica is promising as well; economic growth is steady and a solid base of middle to upper-class consumers is expanding in the country. Additionally, U.S. food products and food companies continue to penetrate the market in Costa Rica as the Costa Rican public is both receptive and accustomed to U.S. food products.

American food companies, restaurants, and supermarket chains, have been highly successful in Costa Rica and have a strong presence in the country.

In general, the most favorable prospects continue to be processed products, dairy products, snacks, sausage and condiments, beef, poultry, wine and beer, but the area of high value products continue to offer good market opportunities as well. In recent years, consuming more convenience and healthy foods has been the trend and has resulted in good prospects for U.S. exports of fresh fruit (mainly apples, grapes, peaches and pears), processed fruits and vegetables (especially canned fruits), and snack foods (including chips, cookies and candies). Processed fruits and vegetables, especially mixed fruits, mixed vegetables, yellow and sweet corn, peas, mushrooms, and garbanzo beans generate strong import demand.

Snack foods continue to gain popularity and exhibit positive consumption trends. In particular, bakery and confectionary products are showing impressive levels of growth as are savory chips and snacks. Competition in the snack food market is present from El Salvador, Guatemala and Honduras as well as from domestic production. However, domestic production of snack foods, particularly of confectionary goods, also presents opportunities for U.S. exporters of food ingredients. Domestically produced snack foods are widely distributed throughout the country but are consumed principally by middle to lower-income consumers. Imported snack foods, in contrast, are targeted most directly at higher-income customers, and while they too enjoy wide distribution throughout the country, are found mainly in supermarkets and larger retail outlets.

Demand for healthy and/or gourmet snack items is increasing. Snacks with natural ingredients, dried fruits, whole wheat, and high-quality ingredients are gaining ground with health conscious consumers. This trend for healthy products is not limited to snack foods either; demand for niche food items such as organic shelf products or gluten-free goods is expanding which bodes well for U.S. exporters wishing to capitalize on this trend.

Meat exports to Costa Rica demonstrate new opportunities for U.S. exporters as well. Pork products

stand out as having great export potential; bacon, ham, and pork leg (especially during the winter months) are all popular imports. Exports of processed meats, prepared meats, and preserved meats expanded significantly, and consumption of prepared meats continues to grow. .

Exports of dairy products, notably yogurts, are growing quickly and present superb export potential. Yogurt especially is gaining favor amongst Costa Rican consumers and imports of U.S. yogurt are high; room exists in the market for new brands, including specialty varieties such as Greek yogurt.

Other export sectors with impressive levels of growth include breakfast cereals, nuts, pet food and alcoholic beverages. Pet food exports to Costa Rica are expected to continue to grow. Many established U.S. pet food importers are present in Costa Rica and consumers are increasingly willing to spend more on pet food products as income level in the country rises. Costa Rican pet food manufacturers also import a high percentage of their ingredients directly from the United States, representing yet another potential market for U.S. entry. Wine and beer imports have also been making a splash in Costa Rica. The Costa Rican public is particularly receptive to U.S. beers, which though a small percentage of the market, have rapidly been gaining visibility it recent years. Costa Rican beer importers continue to seek high-value high-quality U.S. beers for introduction to the public at large.

2016 Top U.S. Exports

| Product Category | Recommend Products | US Import Value (Million USD) 2015 | US Import Value (Million USD) 2016 |
|-------------------------|--|---|---|
| Processed vegetables | Broth, tomato paste, tomato products, potatoes, beans, peas, and lentils | 27.6 | 27 |
| Snack Foods | Corn chips, confectionary goods, microwave popcorn, baked sweet snacks, snack nuts and seeds | 19.4 | 21.6* |
| Fresh Fruit | Plums, peaches, apples, pears, grapes | 24.9* | 19 |
| Consumer Prepared Food | Soup, prepared ham, sausage, pasta products, prepared red meat | 28.7 | 34.5* |
| Dairy Products | Yogurt, cheese, milk concentrate or sweetened | 14.9 | 20.4* |
| Beef and Beef Products | Ham, frozen beef | 12.2 | 15.1 |
| Pork and Pork Products | Pork | 12.9 | 14.3* |

| | | | |
|-------------------------|---|------|-------|
| Poultry meat & products | | 20.1 | 28.6* |
| Tree Nuts | Almonds, walnuts, mixed nuts | 9.4* | 9.2 |
| Fish / Seafood Products | Shrimp, tuna, lobster, ground fish, salmon and other edible fish. | 2.9 | 3.3 |
| Wine and beer | Beer, wine | 7.1 | 8.1* |
| Dog and Cat food | Pet food | 19.3 | 19.6* |

*Equals a record

Total U.S. consumer oriented products exported to Costa Rica reached as \$274.2 million in 2016.

SECTION V. POST CONTACT AND FURTHER INFORMATION

Contact Information for FAS Office in Costa Rica

U.S. Department of Agriculture (USDA)/ Foreign Agricultural Service (FAS)

Email: AgSanjose@fas.usda.gov

Website: <http://sanjose.usembassy.gov/fas.html>

For further details on exporting please see our 2015-16 FAIRS Report <http://fasintranetapps-gain.fas.usda.gov>